

A STUDY ON THE EMPLOYEE RETENTION STRATEGIES FOLLOWED BY STARTUP COMPANIES

R. P. SUVETHASHRI¹ & Dr. A. VICKRAM²

¹Research Scholar, Department of Commerce, Loyola College, Chennai, Tamilnadu, India

²Assistant Professor, Department of Commerce, Loyola College, Chennai, Tamilnadu, India

ABSTRACT

As far as organizations are concerned human resources are its important livelihood. Though organizations are driven by technology, yet they require human resources to operate these technologies. With the overall development and technological up-gradation, there is an increase in the level of competition in the market. As the competition increases, business organizations are expanded hence there is the availability of lots and lots of opportunities in the hands of the human resources. The biggest challenge that the organization faces today is managing and retaining the employees. In this fast-paced working environment and labor-intensive market retaining the qualified employees is the biggest struggle that companies faces, especially the startups. Usually startup companies try to bring in new products/services/ideas in the market, thus it creates a lot of challenges for the employers such as uncertainty about the future, managing competition, government regulations and policies, irregular earning or less profit at the early stages, high salaries offered to employees by the competitor firm, etc. All these become a hurdle to the employer for retaining the employees in a startup company.

Thus it is very important for organizations to follow effective motivational strategies in order to retain their employees. Keeping this into account, this paper studies the various factors affecting employee retention and also suggest a few tactics for startup companies to motivate and retain their employees.

KEYWORDS: Human Resources, Technological Upgradation, Competition, Opportunities, Retention & Startups

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INTRODUCTION

Employees are the most important resources of any organization, but at the same time, they are the most difficult resource to manage. They are referred as the key assets of the organization. The diverse nature of human beings and their importance to the organization has motivated researchers to focus on human resources. And each looked at it from a different perspective. Though researchers have studied about the employees in startups, usually their motivation and retention issues are ignored. In this present era, startups are the new trend of organization and they have to be looked at from a different perspective. Strategies that work for other organizations may not work for a startup. Therefore, a study specifically concentrating on the issues and challenges faced by employer in motivating and retaining the employees in startup companies has to be addressed.

This paper studies the challenges that the employer of Startup Company face while motivating their employees and also suggest a few motivational strategies in order to retain employees and improve their performance.

Startup Company

A startup company is a youthful organization at its beginning stage, initially financed and operated by a bunch of individuals or entrepreneurs or venture capitalists. They usually try to bring in new products or services or ideas into the market. Paul Graham expressed that "An organization 5-year-old can even now be a startup and is intended to become in all respects rapidly." In basic words, an organization that has the ability, culture, and mindset to make something creative and produces an unexpected effect by comprehending the basic problems of society can be named as a startup.

In this attempt of offering new product or services to the market, a startup company faces lots of challenges, for example, the vulnerability of future benefits, managing with rivalries in the market, attrition, etc. Furthermore, they have to experience a daunting struggle to promote their products in the minds of the customers. On the other hand attracting, selecting, managing and retaining skilled person is another biggest challenge for them due to various reasons such as high salary paid by competitors, company image, etc.

OBJECTIVES OF THE STUDY

- To identify effective employee retention strategies.
- To examine the factors influencing the employee for retaining themselves in a company.
- To explore the benefits attained by retaining the employee in an organization.
- To identify the struggles faced in retaining the employee.

SIGNIFICANCE OF THE STUDY

Employees are the key resources of any business organization. Organizations to gain a competitive advantage in the market, it has to manage and retain their key assets, i.e. the human resources. On the other hand, with technological up-gradation and economic development, employees are now available with lots of opportunities. Thus, it has become a very important fact that every organization should motivate and make them feel satisfied in order to retain them. This paper would focus on identifying the effective employee retention strategies, benefits attained from them and also analyses the various factors that motivate employees to remain in the organization.

SCOPE OF THE STUDY

This paper helps startup companies to understand the requirements of their employees. It is helpful for the management to know the effective strategy and motivational techniques which can be adapted to retain their employees. Also, it reveals the benefits of using retention strategies in the organization.

REVIEW OF LITERATURE

Work-life balance is one of the important factors for the commitment and maintenance of employees in an organization. The study directed by **The Australian Telework Warning Committee (2006)** establishes that interventions of work requests into the individual life (for example working during the end of the week) came about into elevated stress and passionate depletion among the representatives. It was found that around 70% of the organization that merged telecommuting choices gained positive advantages, for example, increased business profit and cost reduction, increase in employees' adaptability and extended workforce support and employee work-life balance.

Dr. K. Balaji Mathimaran & Prof. Dr. A. Ananda Kumar (2017) in their study says that in this competitive and technologically driven economy, it is very difficult to fulfill the needs of the employees and satisfy them. But in order to retain them, an organization has to follow the 3 R principle of employee retention, i.e. Recognition, Respect, and Reward.

Mitala (2003) in her study points out the five key elements of retention strategies. They are compensation (financial and non-financial benefits); environment (workplace structure and atmosphere); growth (career and personal); relationship (relationship existing between employer, employees, colleagues, organization and outside world) and support (assistance or help provided to employees).

Andrea V Lewis and Dr. A. H. Sequeira (2017) in their article says that having a good effective employees retention system in any organization is totally need and simultaneously is inevitable. Cutting, creating and executing these systems include genuine responsibility from the board and particularly administrators at the corporate level. This would yield rich profits in the long run.

Anjali Kunampurat Paul and Dr. Theresa Nithila Vincent (2018) in their study point out the major hindrance faced by startup companies in retaining their employees. The factors are the absence of a proper system, lack of awareness, disoriented employee engagement system, misunderstandings, lack in fixing employee need, external threat, diversity factor, low funds for rewards and benefits to employees.

RESEARCH METHODOLOGY

Secondary data are used in this research that were collected from various resources such as research articles, National and International journals, periodical reports, magazines, informatory videos and websites.

THEORETICAL FRAMEWORK

Employee Retention Strategies

Attracting and retaining talents is the ultimate challenge for every organization, especially for startups. Effective employee retention requires proper planning and strategies.

The basic principles of employee retention strategies are:

- Appreciate and reward their achievements.
- Empower the employees (Give employees the authority to get things done)
- Believe in them, trust and respect them
- Create a happy work environment
- Give feedback on their performance.
- Hire the right person.
- Value employees as the most valuable resource of the organization.
- Provide employees with the required information and knowledge.
- Respect their morale.

Classification of Employee Retention Strategies

Employee Retention Strategies are broadly classified as follows:

Compensation

Compensation holds the biggest part in terms of employee retention. Compensation package includes salaries, wages, allowances, bonuses, insurances, vacations, etc. All employees will have high expectations for their salary packages. Salary packages differ from industry to industry. On the whole, an attractive and satisfying salary package will help the organization to retain the employees.

Environment

Every employee expects a happy and peaceful work environment. Organizations should concentrate on creating a comfortable work environment to make better use of the available human assets. The yield from employees working in those environments will be comparatively high. People want to work for an organization which provides them a feeling that the organization is a second home.

Growth

Every employee works only to contribute to the growth of the organization but also to achieve their personal goals. Companies cannot separate the individual goals of employees' and focus on organizations goals alone. Every individual's first priority is to work for themselves and later for the organization. If a person is not happy with his growth, he/she will not be able to contribute to the growth of the organization.

Relationship

There is a common saying that "Employees leave their managers, and not their jobs", which is true because of the fact that the main reason for an employee to leave the organization is the relationship that exists between the employee, management and the colleagues.

Support

Sometimes the support from the management may be inadequate which serve as an important reason for employee retention. Management should always support the employees in every possible way so that each of them is successful. Management should support its employees in their difficult times at work as well as during their personal crisis. Employers can also give valuable feedback to employees and make them feel valued to the organization.

The 3 R's of Employee Retention Strategies

The three fundamental backbones of retaining employees are the 3R's strategy; they are Recognition, Respect, and reward. Each one of the 3R's plays an important role in retaining the employees

Respect: Every individual has their own self-esteem. They have a greater concern about their self-esteem. If it is affected then he/she might not work properly or full-heartedly.

Recognition: Individual attention to each employee is very important for motivating them. If the management does not recognize the work or the performance of the employee, they would feel demotivated.

Reward: Every individual's ultimate goal is to earn money. The additional benefits like incentives and bonus have a direct effect on the organization's productivity as it makes the employees work for the firm happily.

If the employees are satisfied, they will work more sincerely and passionately. And they will be more loyal to the company.

Benefits Attained due to Employee Retention Strategies

The study revealed the following are important benefits obtained:

Reduction in the Cost of Employee Turnover

Employee turnover leads to an increase in the cost of the organization, which can be reduced due to employee retention.

Loss of Company Knowledge

If an employee terminates his job and moves out of the office, he not only leaves the organization, he also takes with him valuable knowledge about the organization, clients, past work experiences, current project details, etc.

Customer Service

Customers are connected with the organization through the employees. When an employee leaves the organization, the connections that the employee has created will be interrupted.

Turnover Leads to More Turnovers

When an employee leaves an organization, its impact is felt all over the organization. There spreads unspoken negativity.

Increase in Company Goodwill

The Company's goodwill is sustained when the rates of turnover are low. Increase in the rate of retention motivates prospective employees to join the organization.

Efficiency of Work

If an employee terminates, a lot of time and money is spent in hiring a new employee and training him/her. Even then the organization cannot expect the same level of performance from the new employee.

Challenges Faced in Employee Retention

The biggest challenge faced by an organization is to retain its valuable and talented employees. The challenges in retaining the employees are

Monetary Dissatisfaction

Employees look for a change of job when they dissatisfied with their compensation package. Every organization allocates a budget for salary purpose which can be increased to a certain extent. It becomes difficult for the organization when employee quotes high amount beyond their allocated budget. While allotting compensation package for one employee, the organization has to consider the interest of other workers working at the same level and also the compensation paid by the competitors.

Abundant Opportunities

With the emergence of the digital world, there are lots of opportunities available in the hands of every individual. Organizations try to hire the best employees by providing them profitable and attractive opportunities. Thus employees look forward of changing their present job.

Hiring Wrong Individuals

Recruitment has an important role in determining the future of the organization. Hiring the right candidate will lead to a good future and vice versa. The biggest problem arises when the right candidate is selected from a wrong job.

Apart from these the other challenges faced by the startups are:

- Higher remuneration offer by the competitors.
- Desire of the employees to be on the leading edge.
- Lack of loyalty towards the company.
- A desire for career growth in all direction.
- Lack of support in the form of training.
- Lifestyle changes among employees.
- Low budget for incentives and rewards.

FINDINGS OF THE STUDY

The following is the summary of the study:

- The effective employee retention strategies that an organization, especially the startups should keep in mind are: attractive compensation; friendly environment; career and personal growth; positive relationship with manager and coworkers; good support system for the employees.
- The factors that influence employees for retaining themselves in the organization are: Respect, Recognition and Reward for their performance in the organization, which is also known as the fundamental principles of retaining the employees.
- Retaining talented employees ensures higher customer satisfaction, increase in product sales, satisfied work associates and environment, and increases the goodwill of the company.
- Organization, especially the startups faces lots of challenges in retaining the employees. Few of them are: monetary dissatisfaction faced by the employee in the company and also higher remuneration offered by the competitors; availability of abundant opportunities for employees; low budget for incentives and rewards; lack of company loyalty; desire of employee to work on the leading edge; lack of support system in the form of training.

SUGGESTIONS

The following are the few simple and cost-effective retention strategies that startups can follow:

- Be flexible with the rules and regulations. Having flexible rules and regulations means you allow employees to solve the issues in the way that they want to.

- Be open to your employees. Treat them as a part of the organization. Being open with employees will be rewarded with loyalty.
- Encourage cooperative or positive corporate culture, i.e. supportive relationships among the employees. This leads to better job satisfaction than money.
- Invest in training and development programs which will reduce turnover and motivate employees. If investments are made properly they will reciprocate.
- Remember that employee has their own life outside the organization. Respect their work-life balance.
- Always stay open to suggestions and good ideas and respect the feedbacks of the employees.

CONCLUSIONS

Startup companies are youthful organizations which need different kinds of resources. To utilize these resources effectively they need efficient Human Resources, as they are the one who defines the success as well as the troublesome stage particularly for a startup. Thus, managing and retaining human resources is considered important for determining the sustainability of the organization in the market. This study has not just featured the issues and difficulties faced by the organization, in addition, it has also suggested a few tactics to beat it. The business must know and comprehend what motivates his workers to perform best and most critically should utilize these proposals to retain the workers. This is the best way to overcome any issues to energize and expect the best out of your representatives.

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AUTHOR'S PROFILE

Ms. R P Suvethashri, M. Com, is a M.Phil. Research Scholar in the Department of Commerce, Loyola College, Chennai. She has presented papers in more than 10 colleges this academic year and has published articles in UGC listed journals. She is specialized in Human Resource Management and Marketing. She has done a thesis in the field of marketing in the year 2018-19. She has qualified UGC NET examination in December 2019.



Dr. A. Vickram, M. Com, PHD, MBA (Mktg), MBA (Tour. Mgt), MA (Pub. Admin), MBA (HR), PGDMM, PGDMIR, is an Assistant Professor in the Department of Commerce, Loyola College, Chennai. He has put in twenty years of experience in the field of teaching at Loyola college. In addition, he has occupied the position as the president of Commerce Forum during the year 2004-2005. He is specialized in Marketing, Human Resource, Advertising and Management. He has presented a good number of articles in both national and international journals; also, he has co-authored a paper on MIS for students of MBA at university of Madras. Also, he has served as president of Loyola College Commerce Association from 2015-2017. He is also a recognized guide and research supervisor for M.Phil. and Ph.D. Scholars. In addition to his service he has been involved in sports, LEAP and outreach activities also he has been a conference convener in the year 2012 and 2018.